

The 100% model and impact measurement

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Navigating in a time of economic recession and decreased public funding to the third sector, charities find themselves under heavy scrutiny as critical voices claim a disproportional amount of resources are spent on the operating budget. There is a rising tendency of donors expecting an increased ROI, and non-profit organisations frequently face questions about their overhead expenses. This development is driving changes, but can the charitable sector be expected to adopt a more business-like approach to ensure they can survive in the challenging times?

Donors primarily care about how donations are used and what the charity in question achieves: a 2014 publication by charity think tank and consultancy NPC shows that three in five donors pay close or extremely close attention to how their donation will be used¹. A further 58% of mainstream and 61% of high-income donors pay close or extremely close attention to evidence an organisation is having an impact. In short, donors want to invest in non-profits that are going to deliver the best results for the largest number of people in the donor's chosen giving areas. This is hardly surprising, but how can these expectations be met? And how can impact be measured and communicated in a trustworthy and meaningful way?



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The increasingly demanding public eye in part explains the emergence of a relatively new donation approach in the charity sector; a 100% donation policy, where all overhead costs are covered by specific donations, allowing public donations to be allocated in their entirety to specific projects. Danish charity Human Practice Foundation (HPF), founded in 2014, has had a very successful first year of operation and we believe we owe much of this success to this business- and investment-based approach that has resonated with our donors. HPF primarily supports projects aimed at elevating the standard of living in indigenous communities in the developing world. The targeted areas of emphasis are education and agriculture – Nepal is our first project country, although our long-term goal is to operate in developing countries all over the world. The objective of the projects funded by the foundation is to assist our local partners to jointly create a sustainable livelihood for themselves and their communities. This entails improving education

by generating conditions favourable to teaching and learning and developing innovative skills and methods in agriculture. 100% of the means donated to a specific project will be channelled, in its entirety, to that project; the donors receive regular updates and also have the opportunity to become personally involved in their respective projects. The operating expenses of the foundation are separately financed by a group of private individuals who have been part of the foundation from the very start.

It is easy to see why the model is attractive to donors who might harbour some scepticism towards the charity sector. We are not claiming that overhead costs are unnecessary or not part of the cause, and we try to communicate this clearly to avoid misinformation. These are very real and necessary expenditures and we simply could not function without them being covered by our Founding Members. In many ways, they are the facilitators who form the basis of our organisation and allow HPF to operate.

The 100% donation model has received criticism for changing the playing field for charities, affecting especially the expectations of donors, and making it more difficult for other non-profits who cannot adopt the same model to explain their overhead costs. Committing to such a definite structure can be challenging and is not for everyone. However, HPF is a small organisation with a short chain of command, uncomplicated communication lines and relatively straightforward projects, and although larger non-profits like Charity: Water is based on the 100% model, most others simply cannot be. But is it fair to say that if all organisations cannot achieve a specific model, that none should be utilising them? We believe that it is not. We believe we appeal most to those donors who are attracted to the key concept that the 100% model represents: transparency. And this is an area where improvements are more easily achieved by all organisations regardless of size or history. There is no reason why different donation models should not be utilised; ultimately the important factor should be what kind of impact the donation is making, how transparent the organisation is and how accessible the results are.

Donation model discussions are futile unless put into context with the impact an organisation is making. Solid impact information is vital for internal performance, to acquire funding, and to provide meaningful updates to stakeholders. If our success is to continue, a solid impact measurement strategy is vital to assure our concept of transparency is fulfilled.



Construction of the Chhiringkharka Primary School in the Solukhumbu District of Nepal. Once completed eighty children from the village will be enrolled.

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As our first projects have been completed earlier this year our data is limited – for now. We will, however, in the beginning of 2016 conduct combined one year impact measurements consisting of internal evaluations where our own team will visit the various project sites in addition to having independent evaluations conducted, pro bono, by Deloitte. Deloitte has also lent their expertise in helping us develop assessment tools we will utilise prior to, during and after projects are undertaken. The result of our investments will be rated according to, amongst other things, changes in school attendance levels, improvements in analphabetic levels, changes in the number of women employed locally and the socioeconomic growth of the local community. The

findings will be used to revise strategy and execution and will be communicated to our supporters.

Different approaches to running non-profits yield a healthy discussion and are driving changes in the industry. The debate is helpful in understanding the needs and expectations of stakeholders and demonstrates that there is more than one way to move money from those with means to those without. Focusing on keeping overhead expenses linked directly to the ability to run the organisation and being transparent about the operating costs goes a long way to ensure that patrons will offer their continued support regardless of the approach. Offering contributors the option of becoming personally involved in a project adds to a heightened sense of commitment and ownership and is key to building donor relationships. Making a positive and sustainable impact is surely the founding motivation for any organisation in the non-profit sector, and finding meaningful impact measuring programmes that are appropriate for the organisation is vital to ensure that purpose and intent are being fulfilled.

¹ *New Philanthropy Capital*, <http://www.thinknpc.org/publications/money-for-good-uk/> (March 2014)



A potential project: Three main buildings of the Parewadanda lower secondary school in the Sindhuli District in the Janakpur Zone of South-East Nepal collapsed during the April 2015 earthquake.

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